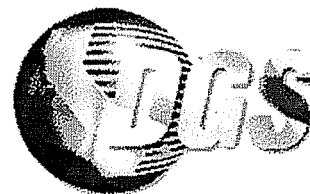


Small Business Council (SBC) Minutes

June 27, 2005 (Proposed)



SBC

Attendance

The meeting was called to order at 10:00 on June 27, 2005. It was attended by: Rita Hamilton (Chair); Mariel Dennis (alternate Chair), Iris Ching, Elisabeth Brinton (Co-Chair), Janet De Zonia, Paul Guerrero, Gene Hale, Calvin Lucas (alternate for Aubry Stone), Randall Martinez, Stephen McGlover, Kerry Osaki, Rob Porter, Randy Twist (alternate for Tracey Stanhoff).

Absent SBC Members

The following members were absent:

- Betty Jo Toccoli, CA Small Business Association;
 - James Stanfield, The CA DVBE Alliance (Mr. Stanfield resigned from the SBC due to health issues);
 - Tracey Stanhoff, American Indian Chamber of Commerce of CA (AICC);
 - Aubry Stone, CA Black Chamber of Commerce.
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Introduction of New Members

Rita Hamilton welcomed the new attending members of the SBC:

- Randy Twist, alternate to Tracey Stanhoff, American Indian Chamber of Commerce (AICC);
 - Gene Hale, LA African-American Chamber of Commerce;
 - Kerry Osaki, Asian Business Association of Orange County;
 - Stephen McGlover, CA Community Connection Corporation and
 - Aubry Stone (not in attendance), CA Black Chamber of Commerce.
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Opening Remarks

Rita Hamilton welcomed the members of the SBC, Ron Joseph, Director, General Services (DGS); Andrew Chang, Chief Deputy Director, DGS and guest attendees. She gave an update on:

- Themes for the SBC are Access, Opportunity & Ownership
 - The successful CA Small Business Day held on June 15 in Sacramento
 - The Procurement Division reorganization of the Statewide Surplus/Internet program and the Records Center; these units now report to the DGS Interagency Support Division
 - The Food Unit Buyers being transferred to West Sacramento.
 - Upcoming State Agency Recognition Awards:
 - Nominations packets out mid-July and due mid-August
 - Judges needed; will meet Sept. 14
 - Awards ceremony – October 27
 - Recent CSSI Accomplishments
 - Development of Owners Manual for SB/DVBES
 - July 7 Resource Exchange with CSSI & focus on commodities
 - July 7 Customer Forum for State acquisition leaders
 - Status of Categories and Contract Awards
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Small Business Council (SBC) Minutes, continued

Opening Remarks, continued

Status reports of SB/DVBE participation on CSSI contracts will be shared with the SBC to ensure goals are being met; this will be a standing agenda item for each meeting. **ACTION: Mariel**

Prior Meeting Minutes

Elisabeth Brinton made a motion to approve the SBC Minutes for March 14, 2005 and Gene Hale seconded the motion. Approved unanimously.

Scheduled 2005 Meetings

The next 2005 meetings will be held on:

- Tuesday, September 13, 2005 and
- Friday, December 2, 2005

Changes to SBC Charter

No changes to the Charter are required at this time to address the decision to have meetings quarterly instead of twice a year.

June 2005 SBC Minutes – Committee Reports

Commodities and Goods Committee

Calvin Lucas reported the committee has not met yet. A high-priority agenda item to be discussed is "How to Get the Jobs". Stephen McGlover, stated that 'opportunities' is the key word -- how can we create and find the open door for SBs?

Construction Committee

Paul Guerrero reported that he worked with the Caltrans Construction committee to provide input to DGS and discussed the problems with Design Build contracts: the agency that handles them has no requirement to monitor projects; there are no public bid openings; no advertisement in local trade papers and no notification of the low bidder. The committee also discussed minor contracts that do not require formal bid structure (no advertisements, etc.) He invited Olivia Fonseca (Caltrans Advocate) to attend the next meeting on July 14. Paul was encouraged to convene the meeting and invite Faye McGirr from DGS Real Estate Services Division.

Contracting and Procurement Processes Committee

Elisabeth Brinton met with the committee in May and discussions included:

- Terms and Conditions and Public Contract Code §12112, regarding progress payments and bonding requirements. Many SBs cannot participate in contracts due to the high cost of bonds. SBs cannot compete with the best value versus low cost bid.
- Highly recommended resurrecting the Governor's Office of the Small Business Advocate. This position has not been filled for over 18 months.

Randall Martinez and Elisabeth Brinton requested the inclusion of the position of the Governor's Advocate for Small Business be in the draft Small Business Executive Order. **ACTION: Rita/Mariel** to follow up on status of draft Executive Order.

- Commercially Useful Function (CUF) criteria are based on old SBA requirements. Business models are changing and SBs today have the same financial risk as those that have inventories. SBs have the burden to prove CUF vs. big business. Every firm should have a manufacturer's line of credit. (Gene Hale) **ACTION: Contracting and Procurement Processes Committee** will review CUF requirements.
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IT Goods and Services Committee

Rob Porter reported the committee met in April and discussed "access" to state agencies. He will work to establish a "go to" resource person with authority to answer questions on rules and policies for SBs. This would avoid disputes being filed due to misunderstandings of procedures.

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June 2005 SBC Minutes – Committee Reports, continued

Legislative Committee

Betty Jo Toccoli was unable to attend; Joyce Gibson of PD gave an overview of a new bill, AB 348, which passed the Assembly and is on its way to the Senate Appropriations Committee. The bill deals with certification and reciprocity issues. Members recommended adding mandated goals to state procurements on local government projects to reach the 25% goal in order to keep dollars in California.

ACTION: Mariel to research the “Buy California” law and report at next meeting. If anyone has the reference, please email Mariel.Dennis@dgs.ca.gov

ACTION: Olivia Fonseca to provide information on the 200 other small business definitions to the Legislative Committee.

Outreach Committee

Randall Martinez reported the committee met in April. The committee's recommendations are in the presentation (see slides).

- Past history of the SBC Outreach Committee focused on *visibility* and *quantity* of certified firms. The vision of the future should move from quantity to *quality*.
- The SB/DVBE Advocates are underutilized. DGS needs to develop a plan to proactively reach out to Advocates for training and provide better resources to support them. Request getting information on the SBC as an additional resource to the Advocates. **ACTION:** Mariel to notify Advocates and firms about the SBC; how to sign up for SOS and the keyword search.
- The keyword search function helps contract officials find SB/DVBEs but less than 2,000 firms established profiles or enrolled in the Subscription Outreach Service.

Outreach Committee Action Items:

- Develop an initiative to migrate all 15,000 certified firms to the CSCR and improve awareness of specific procurements (CSSI, Leveraged Agreements, etc.).
 - Regarding CSSI, emphasize the following:
 - Message consistency
 - Insertion of outreach functions early in procurement process (SBs need more than 10 days in bid process (completed by DGS))
 - Expand CSSI bid opportunity advertisements beyond CSCR to include entire certified SB/DVBE database
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June 2005 SBC Minutes – Discussion Items

CPR Initiatives Committee

Mariel Dennis reviewed two California Performance Review (CPR) initiatives and related issues (see self-certification issue paper provided with slides). She recommended starting a new CPR committee to deal with Self-Certification and Reciprocity. The Council concurred. Paul Guerrero, Olivia Fonseca and Don Zweifel volunteered for this committee. Olivia Fonseca suggested that a local reciprocity member be included on this committee.

ACTION: Mariel to convene committee. If interested in participating, email Mariel.Dennis@dgs.ca.gov. Recommendations will be made to DGS before the next Council meeting.

ACTION: Paul Guerrero to email information to Mariel about a new federal law that states 8a firm's certification must be accepted for federally funded projects; **Mariel to report at next meeting.**

Commercially Useful Function (CUF)

At the March meeting, materials were provided on Commercially Useful Function (CUF), including the statutory definition and placement of CUF in certification program requirements. DGS provided the Management Memo that clarified shared responsibility, as follows:

- OSDS at time of application/renewal must find CUF to certify; "obvious" line(s) of business pre-determine CUF;
- Buyers evaluate CUF requirement depending on type of contract; and,
- OSDS has been reviewing for CUF and developed an approach to show CUF on database.

Since then, DGS has convened several CUF Focus Groups for input on implementation issues (see issue paper). Council members referred the issue to the SBC Procurement and Contract Processes Committee.

ACTION: Committee to make recommendations to DGS (Mariel) prior to the next meeting.

SB/DVBE Goal Attainment

Gene Hale asked if DGS has made a commitment to track contractors' subcontracting goals? Is there a way to get subcontracting data from the CSUs? Many primes never fulfill their 25% participation goal.

Mariel advised that DGS is working to improve tracking of subcontracting activity for the 2005-2006 fiscal year.

Minor Contracts Set Asides

Paul Guerrero asked if set-asides of \$25,000 be setup for just SB contractors to bid on? This could act as a training ground for the SB firms on how to work with the State. Will it take legislation to establish set asides?

Mariel gave an overview on the "SB/DVBE Option" that allows informal quotes for contracts for goods, services and IT up to \$100,000 from 2 certified SBs or DVBEs (and up to \$125,000 for construction projects). Copies of the relevant Government Code sections and the Purchasing Authority Manual were provided. No further action required.

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June 2005 SBC Minutes – Discussion Items, continued

Review of Design Build Entities

Paul Guerrero asked if DGS will initiate model legislation to write Design Build projects as a lead State agency. The current law limits how many subcontractors a firm can list at the time of bid deadline.

ACTION: Steve Dunham, DGS Real Estate Services Division manages Design Build projects and will research DGS policies and advise.

Procurement Rules, Bonding, Access to Decision Makers

Elisabeth Brinton and Rob Porter shared that recently, bond requirements have accompanied IT contracts. Bonding requirements are expensive and exclude SB participation. Bond companies do not understand IT requirements and therefore, the process is very difficult. Also, bonds are counted as assets and make it difficult for an IT firm to stay under the \$10 million dollar SB threshold for certification. **ACTION: Rita Hamilton** to identify a DGS resource on IT contracting to meet with the committee.

Recommended having a resource advocate to explain the rules or why decision on contract requirements are made. Mariel responded with information about Susan Chan who is the Supplier Advocate for DGS; and who, along with the OSDS and Agency advocates, help certified firms.

Small Business Dollar Limit

After the agenda was published, DGS received requests from certified firms to considering raising the current \$10 million dollar limit to reflect inflation and designating different dollar amounts for different industry segments. Director Joseph requested the Council provide input. The Council favored raising the dollar amount and offered the following feedback:

- If raised, raise dollar amount consistently across the board (majority); minority preferred the federal model (and former California model) that varied employee count/dollar threshold according to industry type.
 - Raise dollar threshold for microbusinesses proportionately
 - Consider change from gross annual receipts to another measure (e.g., "net" receipts).
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Nonprofit firm eligibility

After the agenda was posted, DGS received an inquiry as to why nonprofit firms were ineligible for small business certification per the Small Business Regulations (see issue paper). Director Joseph requested Council input.

The Council was opposed to allowing nonprofits to qualify for SB status. They already get the Prompt Payment Act benefits if registered with DGS; and their tax-free status provides a competitive advantage that would put for-profit SBs at greater disadvantage if both were to get the 5% bid preference.

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June 2005 SBC Minutes – Discussion Items, continued

Public Comment Period

Members of the public commented as follows (the Council did not comment):

- Why has the DVBE Good Faith Effort time period been reduced from 14 days to 10 days? It limits amount of time for contracts to be bid in the trade and focus papers.
 - Caltrans announced the approved \$4.2 billion dollar budget and they will let out \$1.2 billion in contracts in the first 2 months of the new fiscal year.
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Closing Remarks

Rita requested that each **committee chair** email Mariel (email: Mariel.Dennis@dgs.ca.gov) **by July 31st** the issues from either the "brainstormed" list and/or other issues that their committees identified and prioritize the issues that they will be working on. The list should have the topics ranked in order of priority. **ACTION: All Committee Chairs**

ACTION: Mariel to send out email to SBC members about the July 7 Resource Exchange (completed 6/29).
